

**Consolidated Financial Results for the Three Months Ended June 30, 2018**  
(Prepared pursuant to Japanese GAAP)

August 9, 2018

Company name: MEGMILK SNOW BRAND Co., Ltd.  
 Stock exchange listing: Tokyo Stock Exchange (First Section), Sapporo Securities Exchange  
 Stock code: 2270  
 URL: <http://www.meg-snow.com>  
 Representative: Keiji Nishio, Representative Director and President  
 Contact: Shigeru Watanabe, General Manager, Public Relations & Investor Relations Department  
 Phone: +81 3-3226-2124

(Amounts rounded down to the nearest million yen)

**1. Consolidated Results for the First Three Months of the Fiscal Year Ending March 31, 2019**  
(April 1, 2018 – June 30, 2018)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Three months ended June 30, 2018	150,984	0.8	4,757	(18.0)	5,046	(17.7)	3,379	1.6
Three months ended June 30, 2017	149,860	1.5	5,804	10.8	6,127	17.8	3,326	(5.5)

Note: Comprehensive income: Three months Ended June 30, 2018 : 3,335 million yen (-14.3%)  
 Three months Ended June 30, 2017 : 3,891 million yen (15.2%)

	Profit per share – basic	Profit per share – diluted
	yen	yen
Three months ended June 30, 2018	49.83	—
Three months ended June 30, 2017	49.04	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
June 30, 2018	355,941	158,209	43.8	2,297.64
March 31, 2018	351,240	157,338	44.1	2,286.11

For reference:

Equity: June 30, 2018 : 155,800 million yen  
 March 31, 2018 : 155,021 million yen

Note: The Company has adopted Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No.28, February 16, 2018) and other related standards from the beginning of the first quarter of the fiscal year ending March 31, 2019. The financial statements for the fiscal year ended March 31, 2018, have been recast to reflect the retrospective application of the amendments.

## 2. Dividends

Record date or period	Cash dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
Year ended March 31, 2018	yen —	yen —	yen —	yen 40.00	yen 40.00
Year ending March 31, 2019	—				
Year ending March 31, 2019 (forecast)		—	—	40.00	40.00

Note: Revisions from the latest release of dividend forecasts: None

## 3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Second quarter-end (Cumulative)	308,000	1.5	9,700	(12.4)	10,000	(15.1)	7,100	(1.2)	104.71
Full Year	605,000	1.5	19,000	(1.9)	20,000	(4.7)	13,500	0.9	199.09

Note: Revisions from the latest release of earnings forecasts: None

### Notes

- (1) Material reclassifications of subsidiaries during the period: None
- (2) Accounting methods specific to quarterly consolidated financial statements: None
- (3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
  - 1) Changes in accordance with amendments to accounting standards, etc.: None
  - 2) Changes other than noted in 1) above: None
  - 3) Changes in accounting estimates: None
  - 4) Retrospective restatement: None

#### (4) Common stock issued

- 1) Issued shares as of period-end (including treasury stock)

June 30, 2018	70,751,855 shares
March 31, 2018	70,751,855 shares

- 2) Treasury stock as of period-end

June 30, 2018	2,942,761 shares
March 31, 2018	2,941,743 shares

- 3) Average number of shares (during the respective period)

Three months ended June 30, 2018	67,809,524 shares
Three months ended June 30, 2017	67,831,606 shares

**\*This summary of financial statements is not subject to audit by certified public accountant and auditing firm.**

### \*Appropriate Use of Earnings Forecasts and Other Important Information

(Earnings Forecasts)

Business forecasts contained in this report are based on the assumptions of management in the light of information available as of the release of this report. MEGMILK SNOW BRAND makes no assurances as to the actual results, which may differ from forecasts due to various factors such as changes in the business environment.

(Supplementary materials and presentation handouts)

Supplementary materials are attached to this report.

Table of Contents for Attachments

1. Operating Results .....	4
(1) Overview of Operating Results.....	4
(2) Analysis of Financial Condition .....	6
(3) Explanation of Forward-Looking Statements, including the Forecast of Consolidated Results.....	6
2. Consolidated Financial Statements and Key Notes .....	7
(1) Quarterly Consolidated Balance Sheets .....	7
(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income .....	9
Quarterly Consolidated Statements of Income.....	9
Quarterly Consolidated Statements of Comprehensive Income.....	10
(3) Quarterly Consolidated Statements of Cash flows .....	11
(4) Notes to the Quarterly Consolidated Financial Statements .....	13
(Notes on the Assumption of a Going-concern) .....	13
(Notes Concerning Significant Changes in Shareholders' Equity (if any)).....	13
(Additional Information) .....	13
(Segment and Other Information) .....	14

## 1. Operating Results

### (1) Overview of Operating Results

In the three months ended June 30, 2018, business conditions in Japan gradually recovered, and economic recovery is expected to continue. However, there is concern about the impact of the trend of trade disputes on the world economy, uncertainties in overseas economies, and instability centered on financial markets.

Although consumer spending is picking up as the employment and personal income environment improves, the trend for consumers to economize continues. In the food industry, there is movement to pass on cost increases to prices, and wide-ranging demand is being created as consumer values diversify: for instance, products that emphasize function or low price are being introduced.

In this business environment, in accordance with Group Medium-term Management Plan 2019, the MEGMILK SNOW BRAND Group endeavored to strengthen the earnings base in preparation for future growth through efforts to create multiple earnings bases and maximize cash flow, through product mix improvement accompanying sales growth from high-value-added products such as functional yogurt and from cheese and other mainstay products, and through scale expansion from continued marketing investment in the nutrition business sector.

As a result of these developments, in the three months ended June 30, 2018 consolidated net sales were ¥150,984 million (an increase of 0.8% over the same period of the previous fiscal year), operating profit was ¥4,757 million (down 18.0%), ordinary profit was ¥5,046 million (down 17.7%), and profit attributable to owners of parent was ¥3,379 million (up 1.6%)

Because of its increased importance, Luna Bussan Co., Ltd. is treated as an equity-method affiliate from the three months ended June 30, 2018.

Operating results by business segment for the three months ended June 30, 2018 were as follows. Net sales by segment are sales to outside customers.

#### 1) Dairy Products

This segment comprises the manufacture and sale of dairy products (cheese, butter, powdered milk), margarine, nutrition business products (functional foods and infant formula), and other products.

Net sales were ¥58,125 million (a decrease of 0.2% from the same period of the previous fiscal year), and operating profit was ¥2,871 million (down 5.1%).

Sales of butter were strong amid continued efforts to ensure a stable supply. Although sales of margarine declined in a market that remains sluggish, since March 2018 the Company has introduced product formulations that do not use partially hydrogenated oils, which include large amounts of trans fats, for all household margarine and shortening products and will continue efforts to reduce trans fats. Sales of cheese declined, partly as a result of efforts to improve the product mix in light of the supply and demand situation in the interest of securing a stable supply of domestic milk resources and their effective utilization. Sales of functional food products grew as a result of continued marketing investment for Mainichi Hone Care MBP, a food for specified health use. As a result of these developments, overall segment sales decreased slightly.

Operating profit decreased because of increases in raw material costs, partly due to the impact of raw milk price revisions, despite product mix improvement and the positive impact of unit sales price differences accompanying price revisions and package volume changes.

## 2) Beverage & Dessert

This segment comprises the manufacture and sale of drinking milk, fruit juice beverages, yogurt, dessert, and other products.

Net sales were ¥71,439 million (an increase of 1.1% from the same period of the previous fiscal year), and operating profit was ¥922 million (down 50.3%).

Sales of yogurt were strong due to strengthening of promotional activities that emphasize the functions of lactobacillus gasseri SP, the Company's own lactobacillus, contained in product such as Megumi Gasseri SP Yogurt Drink Berry Mix , newly launched as a food with function claims, and Megumi Gasseri SP Yogurt, renewed and relaunched as a food for specified health use. Beverage sales decreased due in part to the impact of market sluggishness. Dessert sales were strong, driven by sales of new products and renewed products. As a result of these developments, overall segment sales increased.

Operating profit decreased substantially due to a sharp increase in promotional costs accompanying aggressive promotional activities, an increase in operation costs, and an increase in depreciation and amortization costs, despite the increase in functional yogurt sales.

## 3) Feed and Seeds

This segment comprises the manufacture and sale of cattle feed, pasture forage/crop and vegetable seeds, and other products.

Net sales were ¥12,296 million (an increase of 0.7% from the same period of the previous fiscal year), and operating profit was ¥696 million (down 8.1%).

Sales increased due to an increase in selling prices of compound feeds, while profit declined due to the impact of lower sales of pasture forage/crop seeds and an increase in the cost of compound feeds.

## 4) Other

This segment comprises real estate rental, joint distribution center services, and other businesses.

Net sales in this segment were ¥9,123 million (an increase of 4.5% from the previous fiscal year), and operating profit was ¥232 million (up 63.5%).

## (2) Analysis of Financial Condition

The Company has applied Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under non-current liabilities.

The accounting standard has been retroactively applied to the figures for the previous fiscal year to allow comparison and analysis.

### 1) Assets, liabilities, and net assets

#### Assets

Total assets as of June 30, 2018 increased by ¥4,700 million from the previous fiscal year-end. The change is mainly attributable to increases in notes and accounts receivable-trade and merchandise and finished goods, which offset decreases in cash and deposits and deferred tax assets.

#### Liabilities

Total liabilities as of June 30, 2018 increased by ¥3,830 million from the previous fiscal year-end. The change is mainly attributable to increases in electronically recorded obligations-operating and notes payable for acquisition of non-current assets included in "Other," which offset a decrease in provision for bonuses.

#### Net assets

Net assets as of June 30, 2018 increased by ¥870 million from the previous fiscal year-end. The change is mainly attributable to an increase in retained earnings.

### 2) Cash flows

Cash and cash equivalents on a consolidated basis as of June 30, 2018 totaled ¥12,030 million. The following is a summary of consolidated cash flows and factors affecting cash flows for the three months ended June 30, 2018.

#### Cash flows from operating activities

Operating activities provided net cash of ¥3,041 million, a ¥1,689 million increase in cash provided from the ¥1,351 million in cash provided in the three months ended June 30, 2017. The change is mainly attributable to a decrease in inventories.

#### Cash flows from investing activities

Investing activities used net cash of ¥2,269 million, a ¥1,367 million decrease in cash used from the ¥3,636 million used in the fiscal year ended June 30, 2017. The change is mainly attributable to a decrease in purchase of property, plant and equipment and intangible assets, which offset a decrease in proceeds from sales of property, plant and equipment and intangible assets.

#### Cash flows from financing activities

Financing activities used net cash of ¥2,749 million, a ¥484 million decrease in cash used from the ¥3,233 million used in the three months ended June 30, 2017. The change is mainly attributable to a net increase in short-term loans payable and a decrease in repayment of long-term loans payable.

### (3) Explanation of Forward-Looking Statements, including the Forecast of Consolidated Results

There is no revision to the forecast of consolidated results disclosed in the Summary of Financial Results of May 10, 2018.

**2. Quarterly Consolidated Financial Statements and Key Notes**  
**(1) Consolidated Balance Sheets**

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	14,620	12,591
Notes and accounts receivable-trade	69,302	75,906
Merchandise and finished goods	39,632	40,823
Work in process	1,423	1,608
Raw materials and supplies	12,857	12,548
Other	4,694	4,636
Allowance for doubtful accounts	(405)	(418)
Total current assets	<u>142,125</u>	<u>147,696</u>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	48,039	47,516
Machinery, equipment and vehicles, net	56,095	55,870
Land	50,396	50,373
Other, net	10,262	10,864
Total property, plant and equipment	<u>164,794</u>	<u>164,623</u>
Intangible assets	3,921	3,614
Investments and other assets		
Investment securities	29,326	29,721
Deferred tax assets	4,859	4,022
Other	6,817	6,655
Allowance for doubtful accounts	(604)	(393)
Total investments and other assets	<u>40,398</u>	<u>40,006</u>
Total non-current assets	<u>209,114</u>	<u>208,244</u>
<b>Total assets</b>	<u>351,240</u>	<u>355,941</u>

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	60,475	61,680
Electronically recorded obligations-operating	4,021	5,739
Short-term loans payable	41,827	42,111
Income taxes payable	2,259	737
Provision for bonuses	5,208	2,741
Other	26,878	31,509
<b>Total current liabilities</b>	<b>140,670</b>	<b>144,519</b>
<b>Non-current liabilities</b>		
Long-term loans payable	27,089	26,888
Deferred tax liabilities	651	663
Deferred tax liabilities for land revaluation	3,981	3,975
Provision for director's retirement benefits	20	20
Provision for gift token exchange	190	187
Net defined benefit liabilities	8,667	8,780
Asset retirement obligations	1,699	1,719
Other	10,932	10,978
<b>Total non-current liabilities</b>	<b>53,231</b>	<b>53,212</b>
<b>Total liabilities</b>	<b>193,901</b>	<b>197,731</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	20,000	20,000
Capital surplus	17,585	17,585
Retained earnings	108,186	109,121
Treasury stock	(4,643)	(4,646)
<b>Total shareholders' equity</b>	<b>141,128</b>	<b>142,060</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,322	6,355
Deferred gains or losses on hedges	(163)	(124)
Revaluation reserve for land	8,951	8,937
Foreign currency translation adjustment	382	123
Remeasurements of defined benefit plans	(1,600)	(1,552)
<b>Total accumulated other comprehensive income</b>	<b>13,892</b>	<b>13,739</b>
<b>Non-controlling interests</b>	<b>2,317</b>	<b>2,408</b>
<b>Total net assets</b>	<b>157,338</b>	<b>158,209</b>
<b>Total liabilities and net assets</b>	<b>351,240</b>	<b>355,941</b>



**(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income****Quarterly Consolidated Statements of Income**

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
<b>Net sales</b>	149,860	150,984
Cost of sales	112,373	113,935
<b>Gross profit</b>	<b>37,486</b>	<b>37,049</b>
Selling, general and administrative expenses	31,682	32,291
<b>Operating profit</b>	<b>5,804</b>	<b>4,757</b>
Non-operating income		
Interest income	5	4
Dividend income	158	158
Equity in earnings of affiliates	126	187
Other	340	194
<b>Total non-operating income</b>	<b>631</b>	<b>544</b>
Non-operating expenses		
Interest expenses	138	122
Other	168	133
<b>Total non-operating expenses</b>	<b>307</b>	<b>256</b>
<b>Ordinary profit</b>	<b>6,127</b>	<b>5,046</b>
Extraordinary income		
Gain on sales of non-current assets	8	12
Other	9	6
<b>Total extraordinary income</b>	<b>17</b>	<b>18</b>
Extraordinary loss		
Loss on sales of non-current assets	84	0
Loss on retirement of non-current assets	258	149
Impairment loss	45	22
Other	20	12
<b>Total extraordinary loss</b>	<b>408</b>	<b>184</b>
<b>Profit before income taxes</b>	<b>5,737</b>	<b>4,880</b>
Income taxes	2,389	1,410
<b>Profit</b>	<b>3,347</b>	<b>3,469</b>
Profit attributable to non-controlling interests	21	90
<b>Profit attributable to owners of parent</b>	<b>3,326</b>	<b>3,379</b>

**Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
<b>Profit</b>	3,347	3,469
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	448	33
Deferred gains or losses on hedges	10	39
Foreign currency translation adjustment	58	(259)
Remeasurements of defined benefit plans	22	47
Share of other comprehensive income of entities accounted for using the equity method	3	4
Total other comprehensive income	543	(134)
<b>Comprehensive income</b>	<b>3,891</b>	<b>3,335</b>
Comprehensive income attributable to owners of parent	3,866	3,241
Comprehensive income attributable to non- controlling interests	24	93

**(3) Quarterly Consolidated Statements of Cash flows**

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,737	4,880
Depreciation and amortization	3,741	3,857
Impairment loss	45	22
Equity in (earnings) losses of affiliates	(126)	(187)
Increase (decrease) in allowance for doubtful accounts	48	(197)
Increase (decrease) in provision for bonuses	(2,463)	(2,465)
Decrease (increase) in net defined benefit asset	(180)	(202)
Increase (decrease) in net defined benefit liability	151	45
Increase (decrease) in provision for gift token exchange	(4)	(3)
Increase (decrease) in provision for directors' retirement benefits	(117)	—
Loss (gain) on sales and retirement of non-current assets	335	137
Interest and dividend income received	(163)	(162)
Interest expenses	138	122
Decrease (increase) in notes and accounts receivable-trade	(5,541)	(6,681)
Decrease (increase) in inventories	(2,352)	(1,135)
Increase (decrease) in notes and accounts payable-trade	3,086	2,968
Other	1,332	3,739
<b>Sub total</b>	<b>3,666</b>	<b>4,737</b>
Interest and dividend income	237	218
Interest expenses paid	(116)	(104)
Income taxes paid	(2,435)	(1,809)
Net cash provided by (used in) operating activities	1,351	3,041

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
<b>Cash flows from investing activities</b>		
Payments into time deposits	(22)	(22)
Proceeds from withdrawal of time deposits	190	5
Payments of loans receivable	(199)	(28)
Collection of loans receivable	200	29
Purchase of property, plant and equipment and intangible assets	(4,172)	(2,317)
Proceeds from sales of property, plant and equipment and intangible assets	360	64
Purchase of investment securities	(4)	(5)
Proceeds from sales of investment securities	11	—
Other	(0)	5
Net cash provided by (used in) investing activities	(3,636)	(2,269)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	68	316
Repayment of long-term loans payable	(343)	(233)
Purchase of treasury stock	(2)	(3)
Cash dividends paid	(2,571)	(2,651)
Cash dividends paid to non-controlling interests	(0)	(2)
Other	(383)	(174)
Net cash provided by (used in) financing activities	(3,233)	(2,749)
Effect of exchange rate on cash and cash equivalents	24	(68)
Net increase (decrease) in cash and cash equivalents	(5,493)	(2,045)
Cash and cash equivalents at beginning of period	15,940	14,076
Cash and cash equivalents at end of period	10,447	12,030

**(4) Notes to the Quarterly Consolidated Financial Statements**

(Notes on the assumption of a Going-concern)

Not applicable.

(Notes Concerning Significant Changes in Shareholders' Equity (if any))

Not applicable.

(Additional Information)

(Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.")

With the adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No.28, February 16, 2018) and other related standards from the beginning of the first quarter of the fiscal year ending March 31, 2019, the Company has changed the presentation method for "deferred tax assets" and "deferred tax liabilities" to be presented under "investments and other assets" and "non-current liabilities," respectively.

(Segment and Other information)  
**【Segment information】**

Net sales and income/loss by reportable segment  
 Three months ended June 30, 2017 (April 1 to June 30, 2017)

(Millions of yen)

	Reportable segment				Other (note 1)	Total	Adjustments (note 2)	Amount recorded on consolidated statements of income (note 3)
	Dairy products	Beverage and dessert	Feed and seeds	Total				
Net sales								
Sales to outside customers	58,265	70,656	12,211	141,132	8,727	149,860	—	149,860
Inter-segment sales and transfers	3,445	8	230	3,684	3,111	6,796	(6,796)	—
<b>Total</b>	<b>61,711</b>	<b>70,665</b>	<b>12,441</b>	<b>144,817</b>	<b>11,838</b>	<b>156,656</b>	<b>(6,796)</b>	<b>149,860</b>
<b>Segment profit</b>	<b>3,025</b>	<b>1,855</b>	<b>758</b>	<b>5,639</b>	<b>142</b>	<b>5,781</b>	<b>23</b>	<b>5,804</b>

- Note: 1. "Other" comprises businesses, such as real estate rental and joint distribution center services that are not included in reportable segments.  
 2. The 23 million yen adjustment for segment profit is for elimination of intersegment transactions.  
 3. Segment profit adjustments are based on operating profit reported on the quarterly consolidated statements of income for the corresponding period.

Three months ended June 30, 2018 (April 1 to June 30, 2018)

(Millions of yen)

	Reportable segment				Other (note 1)	Total	Adjustments (note 2)	Amount recorded on consolidated statements of income (note 3)
	Dairy products	Beverage and dessert	Feed and seeds	Total				
Net sales								
Sales to outside customers	58,125	71,439	12,296	141,861	9,123	150,984	—	150,984
Inter-segment sales and transfers	3,285	10	219	3,514	3,169	6,683	(6,683)	—
<b>Total</b>	<b>61,410</b>	<b>71,449</b>	<b>12,515</b>	<b>145,375</b>	<b>12,292</b>	<b>157,668</b>	<b>(6,683)</b>	<b>150,984</b>
<b>Segment profit</b>	<b>2,871</b>	<b>922</b>	<b>696</b>	<b>4,490</b>	<b>232</b>	<b>4,722</b>	<b>34</b>	<b>4,757</b>

- Note: 1. "Other" comprises businesses, such as real estate rental and joint distribution center services that are not included in reportable segments.  
 2. The 34 million yen adjustment for segment profit is for elimination of intersegment transactions.  
 3. Segment profit adjustments are based on operating profit reported on the quarterly consolidated statements of income for the corresponding period.